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C O N F I D E N T I A L SECTION 01 OF 02 HARARE 001802

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SUBJECT: OFFICIAL GOZ FIGURES ON FOOD IMPORTS AND PROJECTED
NEXT STEPS

REF: HARARE 01664

Classified By: CHG REWhitehead due to 1.5 (b) and (d).

1. (C) Summary. A senior Ministry of Finance official shared with Charge details on GOZ food imports, and the gap still to be filled. The GOZ has purchased nearly 1,000,000 metric tons (MT) of maize but, even with current projected donor contributions factored in, still faces a shortfall of approximately 600,000 MT over the March 2002 to June 2003 period. A number of GOZ projections seem to err toward optimism, as does much of the plan for filling the remaining gap. End summary.

2. (C) On August 2, Ministry of Finance and Economic Development Permanent Secretary Nick Ncube (strictly protect) passed charge a full list of contracted GOZ maize purchases and a brief worksheet totaling projected needs against projected stocks. Somewhat to our surprise, this material indicates that the GOZ has already purchased 982,112 MT of corn. Ncube stated that the GOZ has already paid in full for this amount from cash on hand and forex sequestered by the Reserve Bank from tobacco sales. Of the total amount, 347,870 MT have already arrived in country; an additional 637,011 MT will be delivered over the next months.

3. (C) Ncube provided a list of sellers that include Cargil (sic) (253,000 MT contracted, 255,585 MT already delivered), FSI Petta Trading (4,255 MT of which 3,850 delivered), Farmers World (10,000 MT of which all but 29 delivered), ADM Agri (10,000 MT of which all but 4 delivered), Blazeport (4,637 MT delivered), Holbud (209,000 MT of which 63,649 delivered), CBZ Sentry (456,250 not yet delivered), Timpani (25,000 MT not yet delivered), and Taminsa (10,000 MT not yet delivered). Based on the fact that the CBZ Sentry shipment references a US contract number, we presume that this shipment cannot be certified GMO-free.

4. (C) Ncube said that imports and committed imports added to the estimated 500,000 MT of domestic production from last spring yielded a total of 1,482,112 MT, balanced against consumption needs of 2,400,000 MT over the March 2002 to June 2003 period, based upon a consumption figure of 150,000 MT per month. This leads to a shortfall of 917,888 MT. The GOZ was banking on potential early deliveries from January 2003 to March 2003 of 200,000 MT from irrigated winter cultivation and early green maize. On top of this, they projected donor contributions as 150,000 MT based upon an assumed figure of USD 41 million, and maize imports running USD 250/MT. This left a shortfall of 567,888 MT. Ncube said that these figures were based upon belt-tightening, with most Zimbabweans eating only breakfast and supper, and increased maize substitution with potatoes, rice, wheat, sorghum, and other grains.

5. (C) Ncube said that he projected the following steps as the way forward to closing the 600,000 MT gap, which would cost an estimated USD 150 million. First and foremost, the GOZ hoped to mobilize additional donor support for 300,000, which he admitted was an optimistic figure. The second step would be mobilization of the private sector for the remaining 300,000 MT, assuming that the GOZ would allow private sector imports. Finally, and most improbably (even Ncube admitted this), the GOZ hoped to establish a foreign currency trust account where donor groups would deposit their money for maize supplied from the GOZ Grain Marketing Board (GMB), the parastatal monopoly that is responsible for the 982,112 MT of maize already purchased.

6. (C) Comment: We were surprised to learn that the GOZ has scraped up the forex to pay for nearly 1,000,000 MT of maize, but even this leaves a significant gap. A number of the GOZ assumptions about filling the shortfall also appear to be overly optimistic. The 200,000 MT from potential early deliveries is by no means a certainty. Donor contributions will predictably continue to increase over the next months, although it is too soon to predict if they will reach the 450,000 MT mark posited by the GOZ. Private sector

participation remains a phantasm at this time, given the absurdly skewed exchange rate, the concomitant unrealistic GOZ-fixed price for maize meal, and continued GMB monopoly over grain imports. The foreign currency account, which would presumably replace the proposed UN forex trust account for the private sector, would directly funnel donor forex into government accounts and does not bear further consideration. Ncube himself admitted that the blueprint for addressing the food crisis contained a number of internal contradictions, but intimated that political sensitivities had required this approach. What Ncube did not mention is the strain that the GOZ maize purchases will put on other sectors that require forex to function: fuel, electricity, medicines, et al. The bottom line is that the GOZ will be as much as USD 1.5 billion of forex short of what it needs through June 2003, as outlined refetel. End comment.

WHITEHEAD